

FUNDING AGREEMENT BETWEEN THE CITY OF BALTIMORE AND BALTIMORE CITY PUBLIC SCHOOL SYSTEM

Summary

Terms of Loan

- City will loan the School System \$42 million on or about March 22, 2004.
- The School System will reimburse \$34 million on or before August 2, 2004, with no interest.
- The remaining \$8 million will be repaid on or before June 30, 2006, accruing 1.5% interest from the date of the loan.
- In the event that the School System is unable to make the payments as laid out, the City will be entitled to deduct from the City's payment to the Schools System.

New Accountability

- Fiscal Operating Committee: Until repayments are made (June 30, 2006), a 3-member Fiscal Operating Committee will recommend the development and implementation of a financial recovery plan.
 - The Fiscal Operating Committee will consist of 3 members appointed by the Mayor, including the City's Finance Director and a representative from the Board of School Commissioners.
 - The State Superintendent of Schools or designee may serve as an ex-officio member.
 - The Financial Recovery Plan will include budget reductions in FY 2004, and a plan for eliminating the budget deficit on or before July 1, 2006.
- The Financial Recovery Plan, to be approved by the Fiscal Operating Committee by May 30, 2004, must contain target dates for the initiation of specified actions, milestones to monitor achievement of goals and a comprehensive protocol for continued submission of reports on no less than a monthly basis, and include:
 - a) A new internal budgetary process.
 - b) A schedule for the reduction of the structural deficit.
 - c) A plan for further cost savings measures that are to take effect before and after the close of the present school year.
 - d) A schedule for weekly SchoolStat review meetings to be attended by senior BCPSS officials and Mayoral designees.
 - e) Monthly close-out reports submitted to the City's Director of Finance, and the City Council.
 - f) Quarterly progress meetings between the City Finance Director and senior BCPSS finance officials.
 - g) Regularly scheduled financial hearings with the Baltimore City Council, convened by the Council President, to monitor progress in reducing the BCPSS deficit.
 - h) An affordable, downsized staffing model for BCPSS based on projected attrition, monitored at regular quarterly meetings with the Fiscal Operating Committee. If desired attrition fails to materialize, a corresponding number of layoffs will be implemented prior to the start of the 2004/2005 school year.
- The City reserves the right to demand immediate repayment for all funds advanced if the City reasonably believes that the BCPSS is in breach of the agreement – with 15 days to take corrective action prior to repayment.